

**REPORT OF THE AUDIT OF THE
WEBSTER COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES**

April 22, 2005



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable James R. Townsend, Webster County Judge/Executive
Honorable Frankie Springfield, Webster County Sheriff
Members of the Webster County Fiscal Court

The enclosed report prepared by Mountjoy & Bressler, LLP, Certified Public Accountants, presents the Webster County Sheriff's Settlement - 2004 Taxes as of April 22, 2005.

We engaged Mountjoy & Bressler, LLP to perform the financial audit of this statement. We worked closely with the firm during our report review process; Mountjoy & Bressler, LLP evaluated the Webster County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
WEBSTER COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES

April 22, 2005

Mountjoy & Bressler, LLP has completed the audit of the Sheriff's Settlement - 2004 Property Taxes for Webster County Sheriff as of April 22, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$4,212,105 for the districts for 2004 taxes, retaining commissions of \$165,271 to operate the Sheriff's office. The Sheriff distributed taxes of \$4,043,783 to the districts for 2004 Taxes. Taxes of \$88 are due to the districts from the Sheriff and refunds of \$3 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky
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Independent Auditor's Report

We have audited the Webster County Sheriff's Settlement - 2004 Taxes as of April 22, 2005. This tax settlement is the responsibility of the Webster County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Webster County Sheriff's taxes charged, credited, and paid as of April 22, 2005, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Finance and Administration Cabinet
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Members of the Webster County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

Audit fieldwork completed -
August 3, 2005

WEBSTER COUNTY
FRANKIE SPRINGFIELD, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2004 TAXES

April 22, 2005

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 547,507	\$ 581,394	\$ 1,346,729	\$ 399,328
Tangible Personal Property	73,063	105,373	181,431	179,946
Intangible Personal Property				20,916
Fire Protection	1,246			
Additional Bills	301	259	704	242
Franchise Corporation	135,955	164,729	338,309	
Unmined Coal - 2003 Taxes	42,638	44,094	108,908	32,404
Unmined Coal - 2003 Omitted Bills	2,692	2,784	6,875	2,046
Unmined Coal - 2001 Additional Bills	1,262	1,125	3,229	987
Oil and Gas Property Taxes	5,485	6,065	13,683	3,992
Bank Franchises	51,641			
Penalties	5,098	5,339	12,424	4,280
Adjusted to Sheriff's Receipt	(4)	19		288
Gross Chargeable to Sheriff	<u>\$ 866,884</u>	<u>\$ 911,181</u>	<u>\$ 2,012,292</u>	<u>\$ 644,429</u>
<u>Credits</u>				
Exonerations	\$ 999	\$ 1,077	\$ 2,448	\$ 1,266
Exonerations - Unmined Coal	2,291	2,369	5,865	1,741
Discounts	9,464	9,193	20,821	7,212
Delinquents:				
Real Estate	27,742	27,751	67,238	20,182
Tangible Personal Property	151	219	376	448
Intangible Personal Property				275
Unmined Coal - 2003 Taxes	2,278	2,356	5,818	1,742
Unmined Coal - 2001 Taxes	14	12	35	16
Oil Property	241	266	600	175
Total Credits	<u>\$ 43,180</u>	<u>\$ 43,243</u>	<u>\$ 103,201</u>	<u>\$ 33,057</u>

The accompanying notes are an integral part of this financial statement.

WEBSTER COUNTY
 FRANKIE SPRINGFIELD, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2004 TAXES
 April 22, 2005
 (Continued)

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Taxes Collected	\$ 823,704	\$ 867,938	\$ 1,909,091	\$ 611,372
Less: Commissions *	<u>35,295</u>	<u>36,887</u>	<u>66,818</u>	<u>26,271</u>
Taxes Due	\$ 788,409	\$ 831,051	\$ 1,842,273	\$ 585,101
Taxes Paid	787,823	830,486	1,840,796	584,678
Refunds (Current and Prior Year)	<u>558</u>	<u>564</u>	<u>1,418</u>	<u>426</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ 28</u>	<u>\$ 1</u>	<u>\$ 59</u>	<u>\$ (3)</u>

* Commissions:

10% on	\$ 10,000
4.25% on	\$ 2,293,014
3.5% on	\$ 1,909,091

** Special Taxing Districts:

Library District	\$ 13
Health District	4
Extension District	14
Ambulance District	<u>(30)</u>

Due Districts or (Refund(s) Due Sheriff)	<u>\$ 1</u>
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WEBSTER COUNTY
FRANKIE SPRINGFIELD, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT

April 22, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 22, 2005, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

WEBSTER COUNTY
FRANKIE SPRINGFIELD, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
April 22, 2005
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 2004 through April 22, 2005.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2003. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 26, 2004 through August 30, 2004.

Note 4. Interest Income

The Webster County Sheriff earned \$3,443 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Webster County Sheriff collected \$19,757 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Webster County Sheriff collected \$5,420 of advertising costs and \$1,410 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable James R. Townsend, Webster County Judge/Executive
Honorable Frankie Springfield, Webster County Sheriff
Members of the Webster County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Webster County Sheriff's Settlement - 2004 Taxes as of April 22, 2005, and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Webster County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Webster County Sheriff's Settlement - 2004 Taxes as of April 22, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

Audit fieldwork completed -
August 3, 2005

